

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

May 24, 2002

IN RE:

**CHATTANOOGA GAS COMPANY
ACTUAL COST ADJUSTMENT AUDIT**

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DOCKET NO. 01-01010

**ORDER ADOPTING ACA AUDIT REPORT OF TENNESSEE REGULATORY
AUTHORITY'S ENERGY AND WATER DIVISION**

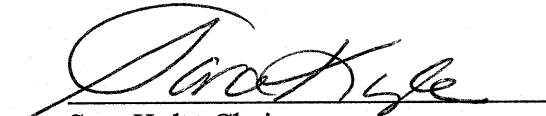
This matter came before the Tennessee Regulatory Authority (the "Authority") at a regularly scheduled Authority Conference held on April 30, 2002, for consideration of the report of the Authority's Energy and Water Division (the "Staff") resulting from the Staff's audit of Chattanooga Gas Company's (the "Company") annual deferred gas cost account filing for the year ended June 30, 2001. The Actual Cost Adjustment Audit Report (the "Report" or "ACA"), attached hereto as Exhibit A, contains the audit findings of the Staff, the responses thereto of the Company, and the recommendations of the Staff to the Company in addressing the findings.

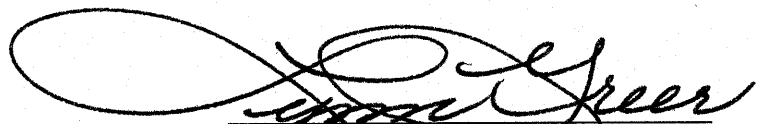
As stated in the Report, the Company's ACA filing was received on October 29, 2001. The Staff filed its Report with the Authority on April 11, 2002. The Report states that the Staff's audit resulted in two (2) exceptions for the audit period, and the corrected net balance in the Company's Deferred Gas Cost Account should be \$2,639,263.01. The Report further states that based on the Staff's review, for the current ACA filing period, the Purchased Gas Adjustment mechanism, as calculated in the Actual Cost Adjustment, is working properly and in accordance with the Authority's rules.

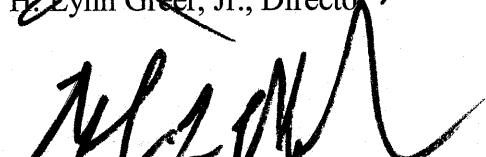
After consideration of the Report, the Authority unanimously approved and adopted the findings and recommendations contained therein. The Authority further ordered the Company to increase the under-recovered balance in the Deferred Gas Cost Account by \$56,995.98 as of June 30, 2001 to comply with Authority Rule 1220-4-7.

IT IS THEREFORE ORDERED THAT:

1. The Actual Cost Adjustment Audit Report, a copy of which is attached to this order as Exhibit A, is approved and adopted, and the findings and recommendations contained therein are incorporated in this Order as if fully rewritten herein;
2. The Company shall increase the under-recovered balance in the Deferred Gas Cost Account by \$56,995.98 as of June 30, 2001 to comply with Authority Rule 1220-4-7 and
3. Any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from the date of this Order.


Sara Kyle, Chairman


H. Lynn Greer, Jr., Director


Melvin J. Malone, Director

ATTEST:


K. David Waddell, Executive Secretary